

SIGAR

**Special Inspector General for
Afghanistan Reconstruction**

SIGAR 23-18 Financial Audit

State's Afghanistan Legal Education Project: Audit of Costs Incurred by Stanford University



**MARCH
2023**

SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT THE AUDIT REVIEWED

On December 1, 2017, the U.S. Department of State (State) awarded a \$3,000,000 grant to Stanford University (Stanford) to support the Afghanistan Legal Education Project. The project focused on refining and expanding the law program at the American University of Afghanistan (AUAF) and working with Afghan universities, U.S. law schools, and legal professionals to promote access to educational opportunities for Afghan justice professionals, among other things. State modified the grant two times, which extended the period of performance from December 4, 2020, through September 29, 2022, increased the total award amount to \$4,422,693, and increased Stanford's total cost sharing requirement to \$129,200.

SIGAR's financial audit, performed by Davis Farr LLP (Davis Farr), reviewed \$3,137,811 in costs charged to the grant from December 4, 2017, through December 31, 2021. The objectives of the audit were to (1) identify and report on material weaknesses or significant deficiencies in Stanford's internal controls related to the agreement; (2) identify and report on instances of material noncompliance with the terms of the agreement and applicable laws and regulations, including any potential fraud or abuse; (3) determine and report on whether Stanford has taken corrective action on prior findings and recommendations; and (4) express an opinion on the fair presentation of Stanford's Special Purpose Financial Statement (SPFS). See Davis Farr's report for the precise audit objectives.

In contracting with an independent audit firm and drawing from the results of the audit, auditing standards require SIGAR to review the work performed. Accordingly, SIGAR oversaw the audit and reviewed its results. SIGAR's review disclosed no instances wherein Davis Farr did not comply, in all material respects, with generally accepted government auditing standards issued by the Comptroller General of the United States.

March 2023

State's Afghanistan Legal Education Project: Audit of Costs Incurred by Stanford University

SIGAR 23-18-FA

WHAT SIGAR FOUND

Davis Farr identified three deficiencies in Stanford's internal controls, and three instances of noncompliance with the terms of the grant. For example, the auditors tested 29 transactions related to services payments made to AUAF, a subgrantee, and determined that two transactions lacked proof of payment, resulting in unsupported costs being charged to the project. In addition, the auditors found that AUAF did not provide documentation showing that it performed the necessary exclusion or anti-terrorist check on the 16 vendors associated with the 29 payments. SIGAR notified Stanford of these deficiencies and compliance issues prior to publication of this report.

Because of the deficiencies in internal controls and instances of noncompliance, Davis Farr identified \$2,500 in total questioned costs consisting of entirely unsupported costs—costs not supported with adequate documentation or that do not have required prior approval. Davis Farr did not identify any ineligible costs—costs prohibited by the grant and applicable laws and regulations.

Category	Ineligible	Unsupported	Total Questioned Costs
Contractual	\$0	\$2,500	\$2,500
Total Costs	\$0	\$2,500	\$2,500

Davis Farr identified five prior audit reports that were relevant to Stanford's grant. One of the reports contained five findings that could have a material effect on the SPFS or other financial data significant to the audit objectives. Davis Farr conducted follow-up procedures and concluded that Stanford had taken adequate corrective action on three of the five findings. Davis Farr noted that the issues associated with the two unaddressed prior findings were repeated under this audit.

Davis Farr issued an unmodified opinion on Stanford's SPFS, noting that it presents fairly, in all material respects, revenues received, and costs incurred for the period audited.

WHAT SIGAR RECOMMENDS

Based on the results of the audit, SIGAR recommends that the responsible grant officer at State:

- 1. Determine the allowability of and recover, as appropriate, \$2,500 in questioned costs identified in the report.**
- 2. Advise Stanford to address the report's three internal control findings.**
- 3. Advise Stanford to address the report's three noncompliance findings.**



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

March 13, 2023

The Honorable Antony Blinken
Secretary of State

We contracted with Davis Farr LLP (Davis Farr) to audit the costs incurred by Stanford University (Stanford) under a grant from the U.S. Department of State (State) to support the Afghanistan Legal Education Project.¹ The project focused on refining and expanding the law program at the American University of Afghanistan (AUAF) and worked with Afghan universities, U.S. law schools, and legal professionals to promote access to educational opportunities for Afghan justice professionals, among other things. Davis Farr reviewed \$3,137,811 costs charged to the grant from December 4, 2017, through December 31, 2021. Our contract with Davis Farr required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

Based on the results of the audit, SIGAR recommends that the responsible grant officer at State:

- 1. Determine the allowability of and recover, as appropriate, \$2,500 in questioned costs identified in the report.**
- 2. Advise Stanford to address the report's three internal control findings.**
- 3. Advise Stanford to address the report's three noncompliance findings.**

Davis Farr discusses the results of the audit in detail in the attached report. We reviewed Davis Farr's report and related documentation. We also inquired about Davis Farr's conclusions in the report and the firm's compliance with applicable standards. Our review, as differentiated from an audit of the financial statements in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on Stanford University's special purpose financial statements, or conclusions about the effectiveness of internal control over financial reporting or on compliance with laws, and other matters. Davis Farr is responsible for the attached auditor's report, dated December 19, 2022, and the conclusions expressed therein. However, our review disclosed no instances where Davis Farr did not comply, in all material respects, with U.S. generally accepted government auditing standards issued by the Comptroller General of the United States.

Please provide documentation related to corrective actions taken and/or target dates for planned completion for the recommendations to sigar.pentagon.audits.mbx.recommendation-followup@mail.mil, within 60 days from the issue date of this report.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

(F-236)

¹ The grant number is SINLEC18GR2013.

STANFORD UNIVERSITY

Incurring Cost Audit of a Special Purpose Financial Statement
Grant No. SINLEC18GR2013
Afghanistan Legal Education Project (ALEP)

For the period December 4, 2017, through December 31, 2021

STANFORD UNIVERSITY

Incurred Cost Audit of a Special Purpose Financial Statement
Grant No. SINLEC18GR2013
Afghanistan Legal Education Project (ALEP)

For the period December 4, 2017, through December 31, 2021

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December 19, 2022

Enclosed is the final report on the incurred cost audit of a special purpose financial statement by Stanford University (Stanford) under the U.S. Department of State (State) Grant No. SINLEC18GR2013 to support the Afghanistan Legal Education Project (ALEP). The audit covers the period from December 4, 2017, through December 31, 2021.

Included within the final report is a summary of the work performed, our report on the Special Purpose Financial Statement, report on internal control and report on compliance. We do not express an opinion on the summary or any information preceding our reports.

When preparing our report, we considered comments, feedback and interpretations from Stanford, the Special Inspector General for Afghanistan Reconstruction and the U.S. Department of State. Management of Stanford has prepared a response to the findings identified during our audit and that response is included as part of this report. The response has not been audited and we express no opinion on it.

Sincerely,

DAVIS FARR LLP



Marcus D. Davis, CPA
Partner

STANFORD UNIVERSITY

Incurring Cost Audit of a Special Purpose Financial Statement Grant No. SINLEC18GR2013 Afghanistan Legal Education Project (ALEP)

For the period December 4, 2017, through December 31, 2021

Background

On December 1, 2017, the United States Department of State (State), awarded Grant No. SINLEC18GR2013 (Grant) to Stanford University (Stanford) to support the Afghanistan Legal Education Project (ALEP). The purpose of the ALEP was to refine and expand the law program at the American University of Afghanistan (AUAF) with the support of Stanford Law School and complement existing U.S. and other international donor efforts to advance the rule of law through legal education in Afghanistan. The project focused on working with Afghan universities, U.S. law schools, and legal professionals to promote access to educational opportunities for aspiring Afghan justice professionals, both within and outside of Afghanistan, and emphasize practical skills and critical thinking ability through the use of interactive teaching methods.

The initial awarded amount was \$3,000,000, plus \$75,000 in cost sharing. The initial period of performance was from December 4, 2017, through December 4, 2020 plus two option years. After two modifications to the Grant, the total funding increased to \$4,422,693, plus \$129,200 in cost sharing and the period of performance was extended from December 4, 2020, through September 29, 2022.

Founded in 1885, Stanford University, officially Leland Stanford Junior University, is a private research university located in the census designated place of Stanford, California, near the City of Palo Alto, California. Stanford has more than 2,200 faculty members and an enrollment of more than 17,500 students.

Work Performed

Davis Farr LLP (Davis Farr) was engaged by the Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) to conduct an incurred **cost audit of Stanford's Special Purpose** Financial Statement under the Grant for the period December 4, 2017 through December 31, 2021. Total costs reported by Stanford were \$3,137,811.

Objectives, Scope, and Methodology

Objectives Defined by SIGAR

The objectives of the audit of the aforementioned award include the following:

- *Special Purpose Financial Statement (SPFS)* – Express an opinion on whether Stanford's **SPFS** for the Grant presents fairly, in all material respects, revenues received, costs incurred, items directly procured by the U.S. Government, and balance for the period audited in conformity with the terms of the agreement and generally accepted accounting principles or other comprehensive basis of accounting.

STANFORD UNIVERSITY

Incurring Cost Audit of a Special Purpose Financial Statement
Grant No. SINLEC18GR2013
Afghanistan Legal Education Project (ALEP)

For the period December 4, 2017, through December 31, 2021

- *Internal Controls* – Evaluate and obtain a sufficient understanding of Stanford’s **internal** control related to the Grant; assess control risk; and identify and report on significant deficiencies including material internal control weaknesses.
- *Compliance* – Perform tests to determine whether Stanford complied, in all material respects, with the Grant requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the agreement and applicable laws and regulations, including potential fraud or abuse that may have occurred.
- *Corrective Action on Prior Findings and Recommendations* – Determine and report on whether Stanford has taken adequate corrective action to address findings and recommendations from previous engagements that could have a material effect on the SPFS or other financial data significant to the audit objectives.

Scope

The scope of this audit included \$3,137,811 of actual costs incurred for the period December 4, 2017 through December 31, 2021. The period of performance of the Grant is not yet complete. Our testing of the indirect cost rate was limited to verifying that the rate agreed to the rate identified in the Grant.

Methodology

To accomplish the objectives of this audit, we designed our audit procedures to include the following:

Entrance Conference

An entrance conference was held via conference call on March 30, 2022 with representatives of Davis Farr, Stanford, SIGAR and State.

Planning

During our planning phase, we performed the following:

- Obtained an understanding of Stanford;
- Reviewed the Grant and all modifications to date;
- Reviewed sections of the Code of Federal Regulations section 2 CFR Part 200, as applicable to the Grant;
- Performed a financial reconciliation; and
- Selected samples based on our approved sampling techniques. According to the approved Audit Plan, we used the detailed accounting records that were reconciled to the financial reports, and based upon the risk assessment and materiality included as part of the approved Audit Plan, we performed data mining to assess individual expenditure accounts and

STANFORD UNIVERSITY

Incurring Cost Audit of a Special Purpose Financial Statement Grant No. SINLEC18GR2013 Afghanistan Legal Education Project (ALEP)

For the period December 4, 2017, through December 31, 2021

transactions that were considered to be high, moderate or low risk for inclusion in our test of transactions. All samples were selected on a judgmental basis. Our sampling methodology was as follows:

- o For accounts that appear to contain unallowable and restricted items according to the terms of the Grant, 2 CFR Part 200 and any other applicable regulations, we sampled 100% of the transactions.
- o For high risk cost categories, we sampled transactions greater than \$15,600, and additional transactions below \$15,600 to ensure that at least 50% of the total amount expended for each cost category was sampled.
- o For moderate risk categories, we sampled transactions greater than \$31,200, and additional transactions below \$31,200 to ensure that at least 20% of the total amount expended for each cost category was sampled.
- o Low risk categories consisted of fringe benefits and indirect costs. Testing of fringe benefits and indirect costs was limited to ensuring that the calculated rates per the Grant were correctly applied.

Internal Control Related to the SPFS

We reviewed Stanford's internal control related to the SPFS. The system of internal control is intended to provide reasonable assurance of achieving reliable financial reporting and compliance with applicable laws and regulations. We corroborated internal control identified by Stanford and conducted testing of select key controls to understand whether they were implemented as designed and operated effectively.

Compliance with Grant Requirements and Applicable Laws and Regulations

We reviewed the Grant and modifications and documented all compliance requirements that could have a direct and material effect on the SPFS. We assessed inherent and control risk as to whether material noncompliance could occur. Based upon our risk assessment, we designed procedures to test a sample of transactions to ensure compliance with the Grant requirements and laws and regulations.

Corrective Action on Prior Findings and Recommendations

We reached out to SIGAR, Stanford and State and requested all reports from previous engagements, as well as searched publicly available information for other reports, in order to evaluate the adequacy of corrective actions taken on prior findings and recommendations that could have a material effect on the SPFS. See the Review of Prior Findings and Recommendations subsection of this Summary for this analysis.

STANFORD UNIVERSITY

Incurring Cost Audit of a Special Purpose Financial Statement
Grant No. SINLEC18GR2013
Afghanistan Legal Education Project (ALEP)

For the period December 4, 2017, through December 31, 2021

Special Purpose Financial Statements

In reviewing the SPFS, we performed the following:

- Reconciled the costs on the SPFS to the Grant, modifications and general ledger;
- Traced receipt of funds to the accounting records; and
- Sampled and tested the costs incurred to ensure the costs were allowable, allocable to the Grant and reasonable. If the results of a judgmental sample indicated a material error rate, our audit team consulted with our Audit Manager and Partner as to whether the sample size should be expanded. If it appeared that based upon the results of the judgmental sample, an entire account was deemed not allowable, we did not expand our testing, but instead questioned the entire account.

Exit Conference

An exit conference was held on September 29, 2022 via conference call. Participants included representatives from Davis Farr, Stanford, SIGAR and State. During the exit conference, we discussed the preliminary results of the audit and established a timeline for providing any final documentation for consideration and reporting.

Summary of Results

Our audit of the costs incurred by Stanford under the Grant from State identified the following results:

Auditor’s Opinion on SPFS

We issued an unmodified opinion on the fairness of the presentation of the SPFS. We identified \$2,500 in questioned costs which entirely consist of unsupported costs. A summary of findings and questioned costs is described in the next section.

Summary of Findings and Questioned Costs

Finding Number	Nature of Finding	Issue	Questioned Costs	Total Cumulative Questioned Costs
2022-01	Internal control – deficiency Non-compliance	Unsupported contractual costs	\$2,500	\$2,500
2022-02	Internal control – deficiency Non-compliance	Lack of evidence for exclusion and/or anti-	\$0	\$2,500

STANFORD UNIVERSITY

Incurred Cost Audit of a Special Purpose Financial Statement Grant No. SINLEC18GR2013 Afghanistan Legal Education Project (ALEP)

For the period December 4, 2017, through December 31, 2021

Finding Number	Nature of Finding	Issue	Questioned Costs	Total Cumulative Questioned Costs
		terrorist check performed by subcontractor		
2022-03	Internal control – deficiency Non-compliance	Lack of Compliance with Policies and Procedures	\$0	\$2,500

Internal Control Findings

As part of obtaining reasonable assurance about whether the SPFS is free from material misstatement, we considered Stanford’s **internal control over financial reporting and performed tests** of those controls. The results of our tests disclosed three internal control weaknesses required to be reported under *Government Auditing Standards*. These weaknesses are considered to be deficiencies. **See Independent Auditor’s Report on Internal Control on page 15.**

Compliance Findings

As part of obtaining reasonable assurance about whether the SPFS is free from material misstatement, we performed tests of Stanford’s compliance with certain provisions of the Grant and other laws and regulations, noncompliance with which could have a direct and material effect on the determination of the SPFS. The results of our tests disclosed three instances of noncompliance related to this audit. **See Independent Auditor’s Report on Compliance on page 17.**

In performing our testing, we considered whether the information obtained during our testing resulted in either detected or suspected material fraud, waste, or abuse, which would be subject to reporting under *Government Auditing Standards*. Evidence of such items was not identified by our testing.

Review of Prior Findings and Recommendations

We requested from Stanford, SIGAR and State copies of any prior engagements including audits, reviews, attestation engagements relate to Stanford’s **activities under the Grant**. We identified five prior reports, which one report contained five findings that could have a potential material effect on the SPFS or other financial data significant to the audit objectives. We performed follow-up procedures, tested transactions, and reviewed documentation to determine if these issues occurred under our audit. Accordingly, we have concluded that Stanford has taken adequate corrective actions on three of the five findings. Stanford has not taken adequate corrective action on the remaining two findings and these findings have been repeated under this audit. See the Status of Prior Findings on page 24 for a detailed description of the prior findings and recommendations.

STANFORD UNIVERSITY

Incurring Cost Audit of a Special Purpose Financial Statement
Grant No. SINLEC18GR2013
Afghanistan Legal Education Project (ALEP)

For the period December 4, 2017, through December 31, 2021

Summary of Stanford's Responses

The following represents a summary of the responses provided by Stanford to the findings identified in this report. The complete response received can be found in Appendix A to this report.

- Finding 2022-01 – Stanford agreed with this finding and reiterated the cause as records were destroyed as a result of the regime change in Afghanistan. Stanford indicated that it did obtain an email from the individual receiving the payment stating he receive the payment.
- Finding 2022-02 – Stanford agreed with this finding and reiterated the cause as records were destroyed as a result of the regime change in Afghanistan. Stanford further indicates that its subcontractor, AUAF, reperformed the exclusion or anti-terrorist checks during our audit fieldwork.
- Finding 2022-03 – Stanford agreed with this finding and reiterated the cause as the records were destroyed as a result of the regime change in Afghanistan.

Reference to Appendix

The auditor's reports are supplemented by one appendix, Appendix A, which contains management's responses to the audit findings. **As management agreed with the three findings, an auditor's rebuttal was not prepared.**

INDEPENDENT AUDITOR'S REPORT
ON SPECIAL PURPOSE FINANCIAL STATEMENT

The Leland Stanford Jr. University
dba Stanford University
485 Broadway, Third Floor
Redwood City, California 94063

Office of the Special Inspector General for Afghanistan Reconstruction
2530 Crystal Drive
Arlington, Virginia 22202

Report on the Audit of the Special Purpose Financial Statement

Opinion

We have audited the Special Purpose Financial Statement of Stanford University (Stanford) under Grant No. SINLEC18GR2013 (Grant) with the U.S. Department of State (State) to support the Afghanistan Legal Education Project (ALEP) for the period December 4, 2017 through December 31, 2021, and the related notes to the Special Purpose Financial Statement.

In our opinion, the accompanying Special Purpose Financial Statement presents fairly, in all material respects, the respective revenue received and costs incurred by Stanford under the Grant for the period December 4, 2017 through December 31, 2021 in accordance with the basis of accounting described in Note 2.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further **described in the Auditor's Responsibilities for the Audit of the Special Purpose Financial Statement** section of our report. We are required to be independent of Stanford and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Special Purpose Financial Statement

Management is responsible for the preparation and fair presentation of the Special Purpose Financial Statement in accordance with the methods of preparation described in Note 2, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Special Purpose Financial Statement that is free from material misstatement, whether due to fraud or error.

The Leland Stanford Jr. University
dba Stanford University
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Redwood City, California 94063

Office of the Special Inspector General for Afghanistan Reconstruction
2530 Crystal Drive
Arlington, Virginia 22202

In preparing the Special Purpose Financial Statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Stanford's ability to continue as a going concern** for the later part of twelve months beyond the Special Purpose Financial Statement date or the end of the period of performance of the Grant.

Auditor's Responsibilities for the Audit of the Special Purpose Financial Statement

Our objectives are to obtain reasonable assurance about whether the Special Purpose Financial Statement as a whole is free from material misstatement, whether due to fraud or **error, and to issue an auditor's report that includes our opinion.** Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the Special Purpose Financial Statement.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the Special Purpose Financial Statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Special Purpose Financial Statement.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the **Stanford's internal control.** Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the Special Purpose Financial Statement.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Stanford's ability to continue** as a going concern for a reasonable period of time.

The Leland Stanford Jr. University
dba Stanford University
485 Broadway, Third Floor
Redwood City, California 94063

Office of the Special Inspector General for Afghanistan Reconstruction
2530 Crystal Drive
Arlington, Virginia 22202

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Restriction on Use

This report is intended for the information of Stanford, State, and the Special Inspector General for Afghanistan Reconstruction (SIGAR) and is not intended to be and should not be used by anyone other than these specified parties. Financial information in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated December 19, 2022 on our consideration of Stanford's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on **Stanford's** internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Stanford's internal control over financial reporting and compliance.

Dawn Funn LLP

Irvine, California
December 19, 2022

STANFORD UNIVERSITY

Special Purpose Financial Statement
 For Grant No. SINLEC18GR2013
 Afghanistan Legal Education Project (ALEP)

For the Period December 4, 2017 through December 31, 2021

	Budget	Expenditures	Questioned Costs			Notes
			Ineligible	Unsupported	Total	
Revenues:						
SINLEC18GR2013	\$ 4,422,693	\$ 3,137,811	\$ -	\$ -	\$ -	(3)
Total revenues	<u>4,422,693</u>	<u>3,137,811</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Costs incurred:						
Personnel	1,006,106	951,525	-	-	-	
Fringe benefits	282,903	275,814	-	-	-	
Travel	305,434	126,675	-	-	-	
Other expertise, supplies, expendable materials and services, and equipment	429,679	46,567	-	-	-	
Contractual	1,831,411	1,310,972	-	2,500	2,500	(A)
Indirect	<u>567,160</u>	<u>426,258</u>	<u>-</u>	<u>-</u>	<u>-</u>	(4)
Total costs incurred	<u>4,422,693</u>	<u>3,137,811</u>	<u>-</u>	<u>2,500</u>	<u>2,500</u>	
Outstanding fund balance	\$ -	\$ -	\$ -	\$ (2,500)	\$ (2,500)	(5),(B)
Cost share:						
Personnel	\$ 100,000	\$ 102,649				
Fringe benefits	<u>29,200</u>	<u>30,073</u>				
Total cost share	<u>\$ 129,200</u>	<u>\$ 132,722</u>				

See Notes to Special Purpose Financial Statement
 and Notes to Questioned Costs Presented on the Special Purpose Financial Statement

STANFORD UNIVERSITY

Incurred Cost Audit of a Special Purpose Financial Statement
Grant No. SINLEC18GR2013
Afghanistan Legal Education Project (ALEP)

Notes to Special Purpose Financial Statement¹

For the period December 4, 2017, through December 31, 2021

(1) Background

On December 1, 2017, the United States Department of State (State), awarded Grant No. SINLEC18GR2013 (Grant) to Stanford University (Stanford) to support the Afghanistan Legal Education Project (ALEP). The purpose of the ALEP was to refine and expand the law program at the American University of Afghanistan (AUAF) with the support of Stanford Law School, and complement existing U.S. and other international donor efforts to advance the rule of law through legal education in Afghanistan. The project focused on working with Afghan universities, U.S. law schools, and legal professionals to promote access to educational opportunities for aspiring Afghan justice professionals, both within and outside of Afghanistan, and emphasize practical skills and critical thinking ability through the use of interactive teaching methods.

The initial awarded amount was \$3,000,000, plus \$75,000 in cost sharing. The initial period of performance was from December 4, 2017, through December 4, 2020 plus two option years. After two modifications, the total funding increased to \$4,422,693, plus \$129,200 in cost sharing. The period of performance was extended from December 4, 2020 through September 29, 2022.

Founded in 1885, Stanford University, officially Leland Stanford Junior University, is a private research university located in the census designated place of Stanford, California, near the City of Palo Alto, California. Stanford has more than 2,200 faculty members and an enrollment of more than 17,500 students.

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Special Purpose Financial Statement (SPFS) includes costs incurred for ALEP for the period December 4, 2017 through December 31, 2021. Because the SPFS presents only a selected portion of the operations of Stanford, it is not intended to and does not present the financial position, changes in financial position, or cash flows of Stanford. The information in the SPFS is presented in accordance with the requirements specified by the Special Inspector General for Afghanistan Reconstruction (SIGAR), accounting principles generally accepted in the United States of America and is specific to the aforementioned agreement.

¹ The Notes to the Special Purpose Financial Statement with a numeric identifier are the responsibility of Stanford.

STANFORD UNIVERSITY

Incurring Cost Audit of a Special Purpose Financial Statement
Grant No. SINLEC18GR2013
Afghanistan Legal Education Project (ALEP)

Notes to Special Purpose Financial Statement¹

For the period December 4, 2017, through December 31, 2021

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The SPFS was prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. Expenses are recognized following the cost principles contained in 2 CFR 200 Subpart E and 2 CFR 700, wherein certain types of expenses are not allowable or are limited as to reimbursement.

Currency

The SPFS is presented in U.S. dollars. Stanford converts any expenses that were paid in Afghanis (local currency) or other foreign currency into U.S. dollars (reporting currency) by using the current exchange rate in effect on the transaction date.

(3) Revenue

Stanford reported revenue of \$3,137,811 for the period December 4, 2017, through December 31, 2021. Of this amount, \$252,469 was a receivable from State as of December 31, 2021.

(4) Indirect Costs

Amendment No. M001 to the Grant specifies a predetermined indirect cost rate of 28.70% of modified total direct costs (MTDC). MTDC includes all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward, regardless of the period of performance of the subawards under the award. MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subaward in excess of \$25,000.

(5) Outstanding Fund Balance

As of December 31, 2021, there was no outstanding fund balance under the Grant as the SPFS is prepared under the accrual basis of accounting described in Note 2.

STANFORD UNIVERSITY

Incurring Cost Audit of a Special Purpose Financial Statement
Grant No. SINLEC18GR2013
Afghanistan Legal Education Project (ALEP)

Notes to Special Purpose Financial Statement¹

For the period December 4, 2017, through December 31, 2021

(Continued)

(6) Subsequent Events

Stanford has evaluated subsequent events through December 19, 2022, which is the date the SPFS was available to be issued. There were no events subsequent to this date that would impact the SPFS.

STANFORD UNIVERSITY

Incurring Cost Audit of a Special Purpose Financial Statement
Grant No. SINLEC18GR2013
Afghanistan Legal Education Project (ALEP)

Notes to Questioned Costs Presented on the Special Purpose Financial Statement²

For the period December 4, 2017, through December 31, 2021

There are two categories of questioned costs, ineligible and unsupported. Ineligible costs are those costs that are explicitly questioned because they are unreasonable, prohibited by the Grant, prohibited by applicable laws and regulations, or not Grant related. Unsupported costs are not supported with adequate documentation or did not have required prior approvals or authorizations.

(A) Contractual

Stanford reported Contractual costs of \$1,310,972 for the period December 4, 2017, through December 31, 2021. During our audit of these costs, we identified \$2,500 in questioned costs entirely consisting of unsupported costs due to a lack of evidence indicating the amount had been paid. See Finding No. 2022-01.

(B) Outstanding Fund Balance

Stanford reported no outstanding fund balance as of December 31, 2021. The total outstanding fund balance as of December 31, 2021 in the amount of \$(2,500) represents the total questioned unsupported costs of \$2,500 of the reported outstanding fund balance.

² The Notes to Questioned Costs Presented on the Special Purpose Financial Statement with an alphabetical identifier were prepared by Davis Farr LLP for information purposes only and as such are not a part of the audited Special Purpose Financial Statement.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF THE SPECIAL PURPOSE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

The Leland Stanford Jr. University
dba Stanford University
485 Broadway, Third Floor
Redwood City, California 94063

Office of the Special Inspector General for Afghanistan Reconstruction
2530 Crystal Drive
Arlington, Virginia 22202

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Financial Statement of Stanford University (Stanford) under Grant No. SINLEC18GR2013 (Grant) with the U.S. Department of State (State) to support the Afghanistan Legal Education Project (ALEP) for the period December 4, 2017 through December 31, 2021, and the related notes to the Special Purpose Financial Statement, and have issued our report thereon dated December 19, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the Special Purpose Financial Statement, we considered Stanford's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Special Purpose Financial Statement, but not for the purpose of expressing an opinion on the effectiveness of Stanford's internal control. Accordingly, we do not express an opinion on the effectiveness of Stanford's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable **possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.** A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified three deficiencies in internal control, described in the accompanying Detailed Audit Findings as Finding Numbers 2022-01, 2022-02 and 2022-03 that we consider to be deficiencies.

Stanford's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on **Stanford's response to the findings identified in our audit and described in the accompanying Detailed Audit Findings. Stanford's response was not subjected to the other auditing procedures applied in the audit of the Special Purpose Financial Statement and, accordingly, we express no opinion on the response.**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* **in considering the entity's internal control**. Accordingly, this communication is not suitable for any other purpose.

Restriction on Use

This report is intended for the information of Stanford, State, and the Special Inspector General for Afghanistan Reconstruction (SIGAR), and is not intended to be and should not be used by anyone other than these specified parties. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

Darin Funn LLP

Irvine, California
December 19, 2022

REPORT ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE SPECIAL PURPOSE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITOR'S REPORT

The Leland Stanford Jr. University
dba Stanford University
485 Broadway, Third Floor
Redwood City, California 94063

Office of the Special Inspector General for Afghanistan Reconstruction
2530 Crystal Drive
Arlington, Virginia 22202

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Special Purpose Financial Statement of Stanford University (Stanford) under Grant No. SINLEC18GR2013 (Grant) with the U.S. Department of State (State) to support the Afghanistan Legal Education Project (ALEP) for the period December 4, 2017 through December 31, 2021, and the related notes to the Special Purpose Financial Statement, and have issued our report thereon dated December 19, 2022.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stanford's Special Purpose Financial Statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and the aforementioned Grant, noncompliance with which could have a direct and material effect on the Special Purpose Financial Statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed three instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which are described in the accompanying Detailed Audit Findings as Finding Numbers 2022-01, 2022-02 and 2022-03.

Stanford's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on **Stanford's response to the findings identified in our audit and described in the accompanying Detailed Audit Findings.** Stanford's response was not subjected to the other auditing procedures applied in the audit of the Special Purpose Financial Statement and, accordingly, we express no opinion on the response.

The Leland Stanford Jr. University
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2530 Crystal Drive
Arlington, Virginia 22202

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **the entity's internal control**. **Accordingly, this communication** is not suitable for any other purpose.

Restriction on Use

This report is intended for the information of Stanford, State, and the Special Inspector General for Afghanistan Reconstruction (SIGAR), and is not intended to be and should not be used by anyone other than these specified parties. Financial information in this report may be privileged. The restrictions of 18 U.S.C. 1905 should be considered before any information is released to the public. However, subject to applicable laws, this report may be released to Congress and to the public by SIGAR in order to provide information about programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

Darin Funn LLP

Irvine, California
December 19, 2022

STANFORD UNIVERSITY

Incurring Cost Audit of a Special Purpose Financial Statement
Grant No. SINLEC18GR2013
Afghanistan Legal Education Project (ALEP)

Detailed Audit Findings

For the period December 4, 2017, through December 31, 2021

Finding 2022-01: Unsupported Contractual Costs

Nature of Finding:
Internal control – deficiency
Noncompliance

Condition:

During our testing of 29 out of 58 payments made to the American University of Afghanistan (AUAF), a subawardee under the Grant, in the total amount of \$986,301, we noted two transactions in the total amount of \$2,500 for which no proof of payment was provided to support whether the expenses were in fact paid. The two transactions were both for services rendered by Sayed Ashraf Musafari for the months of September and October 2018. Each separate transaction was in the amount of \$1,250.

Cause:

As a result of the regime change in Afghanistan, on August 14, 2021, AUAF received direction from the United States Agency for International Development (USAID) to destroy all personal identifiable information of staff, contacts and beneficiaries, as well as to review social media and remove photos and information that could make individuals or groups vulnerable. On August 19, 2021, AUAF replied to USAID indicating that it destroyed servers and identifying documents that remained in its possession.

Criteria:

Subaward Agreement R&D #61742382-132115 between Stanford and AUAF effective December 4, 2017 states, in part:

"...11. Allowable costs...

Costs must meet the following general criteria in order to be considered allowable:...

F. Be adequately documented...

12. Audit

Subrecipient shall maintain and have available for audit and inspection all administrative and financial documents, and all other records, related to this Agreement for a period of four (4) years following the expiration date except that, if an audit is initiated before the expiration of the four (4) year period, the records shall be retained until audit findings have been resolved. The above records are subject to inspection and audit by Stanford, its designated representatives, or representatives of the Prime Sponsor at all reasonable times and upon advance notice during the life of the Agreement and for four (4) years thereafter, or longer if required by audit..."

STANFORD UNIVERSITY

Incurring Cost Audit of a Special Purpose Financial Statement
Grant No. SINLEC18GR2013
Afghanistan Legal Education Project (ALEP)

Detailed Audit Findings

For the period December 4, 2017, through December 31, 2021

(Continued)

2 CFR Subpart E, *Cost Principles*, §200.403, *Factors affecting allowability of costs*, states in part:

"Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:...

(g) Be adequately documented..."

2 CFR Subpart D, *Post Federal Award Requirements*, §200.333, *Retention requirements for records*, states, in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report..."

Effect:

The lack of supporting documentation raises doubts about whether the costs charged were accurate as to amount or occurrence, properly authorized and related to the ALEP. The U.S. Government may have been charged for unallowable, unreasonable or improperly allocated costs.

Questioned Costs:

Total questioned costs resulting from unsupported transactions being charged to the grant were \$2,500. There were no associated indirect costs that were charged.

Recommendation:

- (1) We recommend that Sanford either provide adequate documentation to support the payment of the costs incurred or return \$2,500 to the U.S. Government.
- (2) We recommend that Stanford establish procedures and instruct management to ensure that if costs are incurred, recorded in its general ledger, and included on the SPFS, that adequate documentation be retained and made available for audit when requested by the U.S. Government or its representatives in accordance with the Code of Federal Regulations.

STANFORD UNIVERSITY

Incurred Cost Audit of a Special Purpose Financial Statement
Grant No. SINLEC18GR2013
Afghanistan Legal Education Project (ALEP)

Detailed Audit Findings

For the period December 4, 2017, through December 31, 2021

(Continued)

Finding 2022-02: Lack of Evidence for Exclusion and/or Anti-Terrorist Check Performed by Subcontractor

Nature of Finding:

Internal control – deficiency

Noncompliance

Condition:

During our testing of 29 out of 58 payments made to AUAF in the total amount of \$986,301, no documentation was provided to support whether AUAF performed an exclusion and/or anti-terrorist check on any of its 16 vendors included on the 29 payments.

Cause:

As a result of the regime change in Afghanistan, on August 14, 2021, AUAF received direction from the United States Agency for International Development (USAID) to destroy all personal identifiable information of staff, contacts and beneficiaries, as well as removing of social media information that could make individuals or groups vulnerable. On August 19, 2021, AUAF replied to USAID indicating that it destroyed servers and identifying documents that remained in its possession.

Criteria:

Grant Agreement No. SINLEC18GR2013, Amendment No. 1, *U.S. Department of State Standard Terms and Conditions*, states, in part:

"...XXXIII. Blocking Property and Prohibiting Transactions Who Commit, Threaten to Commit, or Support Terrorism, Executive Order 13224...

Non-Federal entities should be aware of Executive Order 13224 and the names of the individuals and entities designated thereunder. A list of these names can be found in the exclusions section of the SAM.gov. The web site is: <http://www.sam.gov>.

Non-Federal entities are reminded that U.S. Executive Order and U.S. laws prohibit transactions with, and the provision of resources and support to, individuals and organizations associated with terrorism. It is the legal responsibility of the non-Federal entity/contractor to ensure compliance with these Executive Orders and laws..."

Subaward Agreement R&D #61742382-132115 between Stanford and AUAF effective December 4, 2017 states, Attachment 2, *Terms and Conditions of Prime Award Flow Down to Subaward*, states, in part:

STANFORD UNIVERSITY

Incurred Cost Audit of a Special Purpose Financial Statement
Grant No. SINLEC18GR2013
Afghanistan Legal Education Project (ALEP)

Detailed Audit Findings

For the period December 4, 2017, through December 31, 2021

(Continued)

"...XXXII[I]. Blocking Property and Prohibiting Transactions Who Commit, Threaten to Commit, or Support Terrorism, Executive Order 13224...

Non-Federal entities should be aware of Executive Order 13224 and the names of the individuals and entities designated thereunder. A list of these names can be found in the exclusions section of the SAM.gov. The web site is: <http://www.sam.gov>.

Non-Federal entities are reminded that U.S. Executive Order and U.S. laws prohibit transactions with, and the provision of resources and support to, individuals and organizations associated with terrorism. It is the legal responsibility of the non-Federal entity/contractor to ensure compliance with these Executive Orders and laws..."

2 CFR Subpart D, *Post Federal Award Requirements*, §200.333, *Retention requirements for records*, states, in part:

"Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report..."

Effect:

The lack of supporting documentation that exclusion or anti-terrorist checks were performed increases the risk that the Federal funds were used in the support of terrorist activities.

Questioned Costs:

AUAF reperformed the exclusion or anti-terrorist checks at the time of our fieldwork and provided the results to us which indicated that none of its vendors were on the exclusion list. AUAF did provide invoices supporting the costs incurred and we were able to determine from the documentation provided that the costs were otherwise reasonable, allowable and allocable to the Grant. As such, no costs were questioned.

Recommendation:

We recommend that Stanford establish procedures and instruct management to ensure that documentation of exclusion or anti-terrorist checks is retained and made available for audit when requested by the U.S. Government or its representatives in accordance with Executive Order 12334 and the Code of Federal Regulations.

STANFORD UNIVERSITY

Incurred Cost Audit of a Special Purpose Financial Statement
Grant No. SINLEC18GR2013
Afghanistan Legal Education Project (ALEP)

Detailed Audit Findings

For the period December 4, 2017, through December 31, 2021

(Continued)

Finding 2022-03: Lack of Compliance with Policies and Procedures

Nature of Finding:

Internal control – deficiency
Noncompliance

Condition:

During our testing of 29 out of 58 payments made to AUAF in the total amount of \$986,301, we noted five instances in which original approved payroll sheets were not provided, and two instances in which original travel authorization documents were not provided.

Cause:

As a result of the regime change in Afghanistan, on August 14, 2021, AUAF received direction from the United States Agency for International Development (USAID) to destroy all personal identifiable information of staff, contacts and beneficiaries, as well as removing of social media information that could make individuals or groups vulnerable. On August 19, 2021, AUAF replied to USAID indicating that it destroyed servers and identifying documents that remained in its possession.

Criteria:

AUAF Human Resources Policy and Procedural Manual dated November 21, 2018, Section 2.2.7, *Payroll Review and Authorization*, states, in part:

“The FC will review the payroll pack and will provide the Payroll Officer with his comments if any. The pack will be submitted to the Chief Financial Officer for review and approval. The FC and CFO must sign the month-to-month payroll reconciliation, Payroll reconciliation with GL and Request for Payment...”

AUAF Official Travel Policy, Section 8, *Official Travel Expense Reports*, states:

“All per diem allowances, travel expenses, and travel advances should be reported and reconciled within 10 days after the travel. AUAF reserves the right to refuse reimbursement for expenses that are not supported by receipts or sufficiently explained and/or not submitted on a timely basis.

Official Travel Expense Reports, supported by all necessary receipts and other documents, must be authorized by the AUAF administration, and approved by the **president/vice president.”**

STANFORD UNIVERSITY

Incurring Cost Audit of a Special Purpose Financial Statement
Grant No. SINLEC18GR2013
Afghanistan Legal Education Project (ALEP)

Detailed Audit Findings

For the period December 4, 2017, through December 31, 2021

(Continued)

2 CFR Subpart D, *Post Federal Award Requirements*, §200.333, *Retention requirements for records*, states, in part:

“Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report...”

Effect:

A lack of complete documentation of costs increases the risk of the Government paying for non-allowable goods and/or services.

Questioned Costs:

Although AUAF did not retain documents to evidence that it fully complied with its policies and procedures, the payroll and travel costs for which original approvals not provided were otherwise supported by timesheets, payroll records, invoices and proof of payment to show that the costs were reasonable, allowable, and allocable to the grant. As such, no costs were questioned.

Recommendation:

We recommend that Stanford establish procedures and instruct management to ensure that all documentation **as required by its subcontractor’s policies and procedures are retained as required by** Federal regulations.

STANFORD UNIVERSITY

Incurring Cost Audit of a Special Purpose Financial Statement
Grant No. SINLEC18GR2013
Afghanistan Legal Education Project (ALEP)

Status of Prior Audit Findings

For the period December 4, 2017, through December 31, 2021

We requested from Stanford, SIGAR and State copies of any prior engagements including audits, reviews, attestation **engagements relate to Stanford's activities under the Grant**. We reviewed five prior reports of which one of the reports contained five findings that could have a potential material effect on the SPFS or other financial data significant to the audit objectives. We performed follow-up procedures, tested transactions, and reviewed documentation to determine if these issues occurred under our audit. Accordingly, we have concluded that Stanford has taken adequate corrective actions on three of the five findings. Adequate corrective action was not taken on the other two findings, which have been repeated under this audit. The summary of prior audit findings that could have a potential material effect on the SPFS are listed below:

Audit Report: SIGAR 19-54 **Financial Audit "Department of State's Support** of the Afghanistan Legal Education Project: Audit of Costs Incurred by the Board of Trustees of the Leland Stanford Junior University" for the period January 15, 2010 to December 31, 2017, which was conducted by Conrad LLP an issued by SIGAR on August 26, 2019

- Finding 2019-01: Credit Identified After Closeout was not Refunded to the Sponsor in a Timely Manner: The audit firm noted that Stanford received a credit after the end of the period of performance and did not refund that credit to the U.S. Government in a timely manner.

Status: We reviewed the general ledger and noted that any credits received were offset on the next invoices submitted to State. As such, the corrective action plan has been adequately implemented.

- Finding 2019-03: Lack of Evidence to Support Price Reasonableness of Procurement Expenses: The audit firm noted that Stanford and its subcontractor, AUAF, were unable to provide evidence that it performed price reasonableness checks on procured goods and services.

Status: We tested 29 billings from AUAF to Stanford and reviewed applicable procurement documentation to ensure price reasonableness. As such, the corrective action plan has been adequately implemented.

- Finding 2019-04: Lack of Evidence For Exclusion and Anti-Terrorist Checks: The audit firm noted that AUAF did not provide evidence that it performed exclusion and/or anti-terrorist checks on its vendors.

Status: We tested 29 billings from AUAF to Stanford and noted that AUAF was unable to provide support that it performed exclusion and/or anti-terrorist checks on its vendors. As such, the corrective action plan has not been adequately implemented. See Finding 2022-02.

- Finding 2019-05: Life Insurance and Pension Costs Claimed were not Authorized in Subcontractor's Agreement: The audit firm noted that AUAF billed Stanford for life insurance and pension costs, which were not included in the Subcontractor Agreement.

STANFORD UNIVERSITY

Incurring Cost Audit of a Special Purpose Financial Statement
Grant No. SINLEC18GR2013
Afghanistan Legal Education Project (ALEP)

Status of Prior Audit Findings

For the period December 4, 2017, through December 31, 2021

(Continued)

Status: We reviewed 29 billings from AUAF to Stanford and noted none of the billings included life insurance and pension costs. As such, the corrective action plan has been adequately implemented.

- Finding 2019-06: Lack of Evidence or Insufficient Evidence to Support Subcontractor Costs Claimed: The audit firm noted that there was a lack of evidence to support costs billed by AUAF to Stanford in order to determine whether the costs were supported, reasonable, allowable and allocable to the award.

Status: We tested 29 billings from AUAF to Stanford and noted that for two transactions within the 29 billings, evidence supporting payment was not provided. As such, the corrective action plan has not been adequately implemented. See Finding 2022-01.

Appendix A: Views of Responsible Officials

STANFORD UNIVERSITY



Vrinda Gopal
*Sr. Director, Office of
Research Administration
Policy and Compliance*

December 19, 2022

Finding 2022-01: Unsupported Contractual Costs

Condition:

During our testing of 29 payments made to the American University of Afghanistan (AUAF) in the total amount of \$986,301, we noted two transactions in the total amount of \$2,500 for which no proof of payment was provided to support whether the expenses were in fact paid. The two transactions were both for services rendered by Sayed Ashraf Musafari for the months of September and October 2018. Each separate transaction was in the amount of \$1,250.

Stanford Response:

Stanford agrees with this finding and reiterates the Cause section above – “as a result of the regime change in Afghanistan, on August 14, 2021, AUAF received direction from the United States Agency for International Development (USAID) to destroy all personal identifiable information of staff, contacts and beneficiaries, as well as to review social media and remove photos and information that could make individuals or groups vulnerable. On August 19, 2021, AUAF replied to USAID indicating that it destroyed servers and identifying documents that remained in its possession.”

To address this request from the auditors, AUAF was able to obtain an email confirmation from Sayed Ashraf Musafari indicating receipt of payment, along with the payroll records. However, as the banking system in Afghanistan remains in crisis, AUAF was not able to reach the Afghan bank to obtain payment records to support the payment to Sayed Ashraf Musafari. The best available evidence of the two payments in question is the recipient’s email confirmation that he did in fact receive the payments. Therefore, given the force majeure conditions that prevail in Afghanistan, Stanford requests that the email confirmation be considered adequate documentation to support the payments and that return of these funds to the sponsor is not merited.

Stanford’s ALEP PI, Erik Jensen, will discuss this matter in further detail with the Department of State to resolve this finding prior to award closeout.

Finding 2022-02: Lack of Evidence for Exclusion and/or Anti-Terrorist Check

Condition:

During our testing of 29 payments made to AUAF in the total amount of \$986,301, no documentation was provided to support whether AUAF performed an exclusion and/or anti-terrorist check on any of its vendors.

Appendix A: Views of Responsible Officials

Stanford Response:

Stanford agrees with this finding and reiterates the Cause section above – “as a result of the regime change in Afghanistan, on August 14, 2021, AUAF received direction from the United States Agency for International Development (USAID) to destroy all personal identifiable information of staff, contacts and beneficiaries, as well as to review social media and remove photos and information that could make individuals or groups vulnerable. On August 19, 2021, AUAF replied to USAID indicating that it destroyed servers and identifying documents that remained in its possession.”

To address this request from the auditors, AUAF reperformed the exclusion or anti-terrorist checks at the time of the audit fieldwork and provided the results which indicated that none of its vendors were on the exclusion list.

Stanford’s ALEP PI, Erik Jensen, will discuss this matter with the Department of State to resolve any further requirements prior to award closeout.

Finding 2022-03: Lack of Compliance with Policies and Procedures

Condition:

During our testing of 29 payments made to AUAF in the total amount of \$986,301, we noted five instances in which original approved payroll sheets were not provided, and two instances in which original travel authorization documents were not provided.

Stanford Response:

Stanford agrees with this finding and reiterates the Cause section above – “as a result of the regime change in Afghanistan, on August 14, 2021, AUAF received direction from the United States Agency for International Development (USAID) to destroy all personal identifiable information of staff, contacts and beneficiaries, as well as to review social media and remove photos and information that could make individuals or groups vulnerable. On August 19, 2021, AUAF replied to USAID indicating that it destroyed servers and identifying documents that remained in its possession.”

To address this request from the auditors, AUAF was able to provide timesheets, payroll records, invoices, and proof of payment to support the costs and show that those were reasonable, allowable, and allocable to the grant.

Stanford’s ALEP PI, Erik Jensen, will discuss this matter with the Department of State to resolve any further requirements prior to award closeout.

Vrinda Gopal

Vrinda Gopal
Sr. Director, Policy and Compliance

SIGAR's Mission

The mission of the Special Inspector General for Afghanistan Reconstruction (SIGAR) is to enhance oversight of programs for the reconstruction of Afghanistan by conducting independent and objective audits, inspections, and investigations on the use of taxpayer dollars and related funds. SIGAR works to provide accurate and balanced information, evaluations, analysis, and recommendations to help the U.S. Congress, U.S. agencies, and other decision-makers to make informed oversight, policy, and funding decisions to:

- improve effectiveness of the overall reconstruction strategy and its component programs;
- improve management and accountability over funds administered by U.S. and Afghan agencies and their contractors;
- improve contracting and contract management processes;
- prevent fraud, waste, and abuse; and
- advance U.S. interests in reconstructing Afghanistan.

Obtaining Copies of SIGAR Reports and Testimonies

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To Report Fraud, Waste, and Abuse in Afghanistan Reconstruction Programs

To help prevent fraud, waste, and abuse by reporting allegations of fraud, waste, abuse, mismanagement, and reprisal, contact SIGAR's hotline:

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- Phone International: +1-866-329-8893
- Phone DSN International: 312-664-0378
- U.S. fax: +1-703-601-4065

SIGAR's Mission

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